

WASHINGTON, DC — Today, Rep. Pete Stark (D-Fremont) announced that students and parents with children in college have a new way to save money on college loans. Beginning July 1st, student borrowers can save thousands of dollars on their existing student loans by locking in a new, lower interest rate being offered by the US Department of Education. Interest rates on Federal Stafford student loans are expected to fall to about 3.44 percent from the current historic low of 4.06 percent.

“These new loan rates will aid thousands of students and their families in paying for college and or paying off college loan debts,” Rep. Stark said.

In addition to current students, reductions in monthly payments under the new loan rates will offer immediate support to recent graduates, who now enter a difficult job market. Over the past eight years, the typical student loan debt has almost doubled to \$17,000. In addition, two-fifths of all student borrowers now graduate with unmanageable debt levels.

“I am pleased that it will now be a little easier for parents and students to invest in higher education,” Rep. Stark said. “Far too many students encounter obstacles to their future with the high cost of education. With this new loan consolidation program, students can lock in a new low fixed interest rate and save thousands of dollars on loans throughout their college careers.”

Borrowers can secure the new low rate by consolidating their loans after July 1, 2003 and before June 30, 2004. Consolidation may also deliver additional benefits to borrowers, including eliminating the need to deal with multiple lenders, calculating loan payments based on a percentage of income, and extending their repayment period. The Department of Education also offers an interest rate reduction of .25%, to borrowers who make payments through automatic banking. Most federal loans can be consolidated either with the Department of Education or a private lender. Recent graduates may also be eligible to consolidate during their in-school or in-grace period, for additional savings of up to 0.6 percentage points.

Borrowers interested in consolidating their loans with the lower interest rate formula should contact the Department of Education or their private lender. More information about direct loan consolidation is available from the Department of Education (1-800-557-7392 or <http://loanconsolidation.ed.gov>)